

**FRESENIUS  
MANAGEMENT SE**

**COMPENSATION SYSTEM 2021+**

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## 1 Introduction

Fresenius is a global healthcare group providing high-quality products and services for dialysis, hospitals and outpatient treatment. With over 310,000 employees in more than 100 countries around the globe and annual sales exceeding € 36 billion, Fresenius is one of the world's leading healthcare companies.

At Fresenius, the patient always comes first. For more than 100 years now, we have been working to save lives and improve the quality of life of our patients. A clear focus on innovation and efficiency has helped us to make high-quality healthcare accessible to a steadily increasing number of people. Yet we never get complacent about our successes and never stop seeking for better solutions. This is how Fresenius is contributing to medical progress and better patient care. At Fresenius, "Forward Thinking Healthcare" captures our commitment to the future: better medicine for more people.

Fresenius' goal is to ensure and expand its long-term position as a leading international provider of products and services in the healthcare industry. Patient well-being and the resulting obligation to maintain and improve the quality of healthcare are our top priority. Product and process development and the improvement of therapies are the core of our growth strategy. Developing products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs is an inherent part of our strategy of sustainable and profitable growth. This value-oriented approach to healthcare is designed to offer holistic medical care and thereby enable long-term, sustainable value creation. Sustainability is a defining characteristic of our company and has been for more than 100 years.

The compensation system presented herein for the members of the Management Board ("**Compensation System 2021+**") makes a significant contribution of promoting our business strategy and the long-term, sustainable development of Fresenius SE & Co KGaA ("**Company**"). It provides effective incentives for the achievement of the aforementioned strategic goals as well as for the long-term value-creation of the Company, taking into account the interests of patients, shareholders, employees and other stakeholders.

The Company is a partnership limited by shares that itself does not have a Management Board, but a General Partner, Fresenius Management SE ("**General Partner**"), which conducts the business of the Company. While the Supervisory Board of the Company is competent and responsible for the submission of the compensation system for approval, it is the Supervisory Board of the General Partner that determines the compensation and the compensation system of the Management Board of the General Partner ("**Management Board**"). Therefore, any

references to the "**Supervisory Board**" in the Compensation System 2021+ relate to the Supervisory Board of the General Partner.

In order to incentivize the members of the Management Board accordingly to implement the long-term strategy of Fresenius in the best possible way, the Supervisory Board developed the Compensation System 2021+, which is based on the following guiding principles:

Guiding Principles of the Compensation System 2021+	
Link to strategy	The Compensation System 2021+ for the Management Board members promotes the execution of Fresenius' global strategy.
Alignment with shareholders' interests	With the aim of achieving cost effective and profitable growth and taking into account total shareholder return, the Compensation System 2021+ is aligned with shareholders' interests. Feedback from many investors has been considered in the design of the system and the link to the development of Company value has been enforced.
Simple structure	The Compensation System 2021+ is comprehensible and barely complex.
Long-term orientation	The compensation components and the long-term oriented compensation structure promote long-term and sustainable value creation.
Rewarding financial performance & sustainability	The performance targets reflect the Company's strategy and enforce the Company's commitment towards environmental, social and governance (ESG) aspects.
Cooperation across business segments	Performance targets at group as well as on business segment level are defined for the Management Board members. By measuring performance at the group level, a close cooperation across the Company's business segments is promoted.
Good corporate governance	The Compensation System 2021+ is designed to comply with the recommendations set out in the German Corporate Governance Code in the version dated 16 December 2019.
Current market best practice	The Compensation System 2021+ is based on current market best practice.
Alignment with performance	The Compensation System 2021+ is significantly aligned to the Company's success due to its high proportion of variable compensation. The previously guaranteed payment from the short-term variable compensation has been eliminated to further enforce the performance-based approach of the compensation system.

The Compensation System 2021+ sets out the framework under which the Supervisory Board can grant compensation components to the Management Board members. It is designed to comply with the requirements set out in the German Act Implementing the EU Second Shareholder Rights Directive (ARUG II) as well as the recommendations regarding the compensation system of Management Board members set out in Chapter G of the German Corporate Governance Code ("**DCGK**") in the version dated 16 December 2019.



The Compensation System 2021+ will be reflected in all service agreements of the currently appointed Management Board members with effect from 1 January 2021 and will also be applied to new service agreements for Management Board members. For the Chief Executive Officer of the Management Board (CEO) of Fresenius Medical Care Management AG, who is also a Management Board member of Fresenius Management SE, the compensation system of Fresenius Medical Care Management AG applies in deviation therefrom.

The Compensation System 2021+ will be submitted to the 2021 General Meeting of the Company ("**General Meeting**") for approval. The compensation system will

subsequently be submitted to the General Meeting for approval in the event of material changes, but at least every four (4) years. If the submitted compensation system is not approved by the General Meeting, it shall be reviewed and submitted to the next ordinary General Meeting at the latest.

## 2 Overview of the Compensation System 2021+

The following illustration shows the compensation components and further design elements of the Compensation System 2021+, which are described in more detail below.

Compensation System 2021+		
Fixed components	Variable components	
<b>Base salary</b> 	<b>Short-Term Incentive</b> <u>Financial performance targets:</u> <ul style="list-style-type: none"> <li>65 % Net Income<sup>1</sup> (before special items)</li> <li>20 % Sales<sup>2</sup></li> </ul> <u>Non-financial performance targets:</u> <ul style="list-style-type: none"> <li>15 % ESG<sup>3</sup></li> </ul>	<b>Long-Term Incentive</b> <u>Financial performance targets:</u> <ul style="list-style-type: none"> <li>50 % Growth rate of the adjusted consolidated net income</li> <li>50 % Relative TSR<sup>4</sup></li> </ul>
<b>Fringe benefits</b> 		
<b>Maximum Compensation</b>		
Maximum Compensation for each Management Board member depending on their function		
<b>Further design elements</b>		
Share ownership guidelines		
Malus and clawback		
Severance payment cap		

<sup>1</sup> Net Income of the group or the business segments

<sup>2</sup> Sales of the group or the business segments

<sup>3</sup> Environmental, Social, Governance. The degree of fulfillment within each of the four business segments is weighted at 25 % each, overall target achievement is identical for all Management Board members

<sup>4</sup> Total Shareholder Return

<sup>5</sup> ESG cap at 100 % for fiscal years 2021 and 2022, 150 % from fiscal year 2023 onwards

<sup>6</sup> Payout cap at 142.5 % for fiscal years 2021 and 2022, 150 % from fiscal year 2023 onwards

### 2.1 Fixed Components

The fixed compensation components comprise base salary, fringe benefits and a pension commitment.

### 2.2 Variable Components

The variable compensation components comprise a short-term performance-based compensation component ("**Short-Term Incentive**" or "**STI**") and a long-term performance-based compensation component ("**Long-Term Incentive**" or "**LTI**") and includes a mandatory share ownership guideline for Management Board members. The target amount of the Short-Term Incentive and the grant value of the Long-Term Incentive (i.e. the amounts paid out in case of a 100 % target achievement) are determined individually by contract as a percentage of a Management Board member's base salary.

## 2.3 Financial Performance Targets and Sustainability Targets

Fresenius develops innovative and at the same time affordable solutions for the fundamental challenges of the healthcare industry worldwide. The core objective is to offer high-quality healthcare to more people and thus contribute to realizing the opportunities arising from current megatrends, such as demographic change. Economic success is the basis for this. It enables the investment in better medicine and, combined with the allocation of capital into profitable growth areas, sustainable growth. In order to anchor these objectives in the compensation of the Management Board, the Compensation System 2021+ takes into account both aspects of growth and profitability when selecting financial performance targets and also includes specific sustainability targets that take into account environmental, social and governance aspects.

The performance targets, as determined by the Supervisory Board, include financial as well as non-financial performance targets and set focused incentives for the Management Board members to act in accordance with the corporate strategy and to support the long-term development of Fresenius in the best possible way.

The financial performance targets are derived from key performance indicators that are relevant to the Company and ensure that the compensation of the Management Board members is aligned with Fresenius' strategic focus and the interests of shareholders. They relate to net income (before special items) attributable to the shareholders of the Company ("**Net Income**") and sales ("**Sales**") of the group or the business segments. For the Long-Term Incentive, the growth rate of the adjusted consolidated net income ("**Adjusted Net Income Growth**") and the relative total shareholder return ("**Total Shareholder Return**" or "**TSR**") of Fresenius are also taken into account as performance targets. The non-financial performance targets relate to sustainability areas of importance to Fresenius, with ESG focus topics such as quality, employees, innovation, compliance and environment. These are initially implemented as qualitative ESG-targets within the Short-Term Incentive. This involves measuring the progress of the development of an ESG strategy, with a defined target picture and transparent metrics. The design of the ESG-targets is aimed at quantifying the improvement in ESG performance from 2023 onwards, with quantitative targets being (also) incorporated into the Long-Term Incentive from this date onwards. As an overarching strategic goal, Fresenius intends to significantly improve its ESG performance over the next ten (10) years, based on reported and audited metrics that reflect the Company's sustainability strategy.

The implementation of non-financial sustainability targets is driven by the Company's commitment to a responsible and sustainable corporate culture and is designed to meet the increasing requirements of the Company's shareholders and various other stakeholders.

## **2.4 Caps and Maximum Compensation**

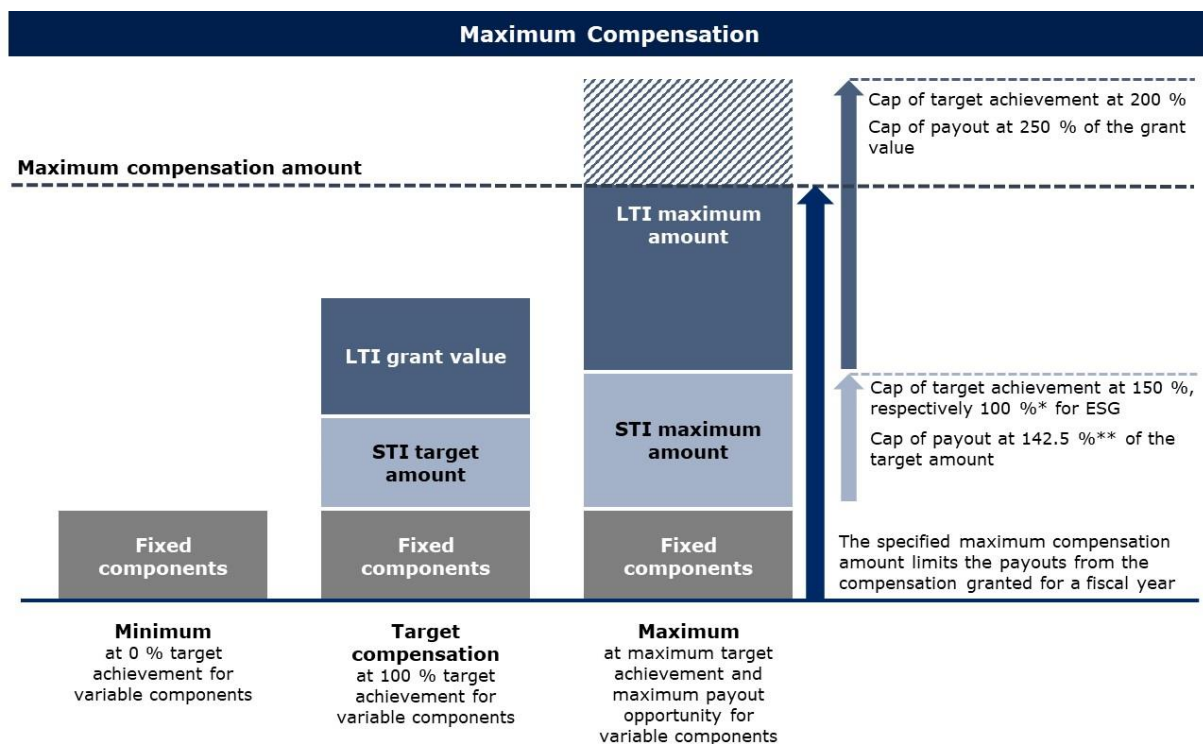
For the Short-Term Incentive, the target achievement is limited to 150 % for financial performance targets and to 100 % for ESG-targets (fiscal years 2021 and 2022) respectively to 150 % (from fiscal year 2023 onwards). Therefore, the payout for the Short-Term Incentive is capped at 142.5 % of the applicable target amount for the fiscal years 2021 as well as 2022 and at 150 % from fiscal year 2023 onwards. For the Long-Term Incentive, the target achievement is capped at 200 % for each grant. In addition, the total proceeds from each grant of the Long-Term Incentive are capped at 250 % of the grant value of each grant, thus also capping the opportunity related to the share price development in the respective measurement period.

The Compensation System 2021+ further provides for an overall maximum compensation amount ("**Maximum Compensation**") for each Management Board member.

These Maximum Compensation amounts limit the payouts to a Management Board member from the compensation granted for a fiscal year, irrespective of the dates of the payouts. The Maximum Compensation comprises base salary (payment in the fiscal year), the Short-Term Incentive (payment in the following fiscal year) and the Long-Term Incentive (payment according to plan conditions in later fiscal years) as well as all other fringe benefits and compensation (payment in the fiscal year). The pension commitment that is part of the fixed compensation components is also included in the calculation of the Maximum Compensation with the amount of the service cost incurred in the fiscal year.

The Maximum Compensation amount for Management Board members can be below the sum of the potentially achievable payouts from the individual compensation components granted for a fiscal year. If the calculated payout for a Management Board member is higher than the respective Maximum Compensation, the amounts accruing under the Long-Term Incentive are reduced accordingly until the Maximum Compensation is no longer exceeded.





\* ESG cap at 100 % for fiscal years 2021 and 2022, 150 % from fiscal year 2023 onwards  
\*\* Payout cap at 142.5 % for fiscal years 2021 and 2022, 150 % from fiscal year 2023 onwards

The Maximum Compensation is set at EUR 10,000,000 for the Chief Executive Officer of the Management Board (CEO) and EUR 6,500,000 for all other Management Board members.

## 2.5 Share Ownership Guidelines

In addition to the Long-Term Incentive, the Compensation System 2021+ provides for a share ownership guideline in order to further strengthen the long-term alignment with the interests of shareholders and to promote the sustainable development of the group. Furthermore, the introduction of share ownership guidelines considers international market practice and the expectations of our shareholders.

Under these guidelines, the Management Board members are obliged to invest an amount equal to the gross amount of an annual base salary in shares of the Company. The Management Board members are obliged to hold these shares permanently until two (2) years after resignation from the Management Board. For a Management Board member, the investment in shares of the Company shall be built up cumulatively from the second year onwards at the latest, each year with one quarter of the gross amount of an annual base salary. The share ownership guideline must be met in full at the latest after the fifth year as a Management Board member. The share ownership guidelines continue to apply if the first appointment to the Management Board is for three (3) years and no reappointment occurs.

Management Board members can sell their shares at the earliest after the end of the mandatory retention period of two (2) years after resignation from the Management Board.

## **2.6 No Discretionary Special Payments**

Under the Compensation System 2021+, the Supervisory Board is not entitled to grant special payments for outstanding performance to the Management Board members (also known as "Ermessenstantieme").

## **2.7 Malus and Clawback**

Under the Compensation System 2021+, the Supervisory Board is entitled to withhold (malus) or reclaim (clawback) variable compensation components in the event of material violations of internal Company guidelines, statutory and contractual obligations and in the event of incorrect consolidated financial statements, taking into account the particularities of the individual case.

Material violations include non-compliance with material provisions of the internal Code of Conduct, grossly negligent or unethical conduct and significant violations of the duties of care as defined by section 93 AktG. In the event of incorrect consolidated financial statements, it is possible to reclaim variable compensation that has already been paid out if, after payment, it emerges that the audited and approved consolidated financial statements on which the calculation of the amount to be paid out was based were incorrect and, on the basis of corrected consolidated financial statements, a lower or no payment amount of variable compensation would have been owed. The obligation of the Management Board member to pay damages to the Company pursuant to section 93 (2) AktG remains unaffected by these provisions.

## **2.8 Compensation Offset**

Any compensation granted to Management Board members for Supervisory Board mandates in subsidiaries of the Company's group is offset against the Management Board member's compensation. Further, the Supervisory Board can resolve to deduct any compensation, in full or in part, granted to Management Board members for any activity in Supervisory Boards outside the Company's group.

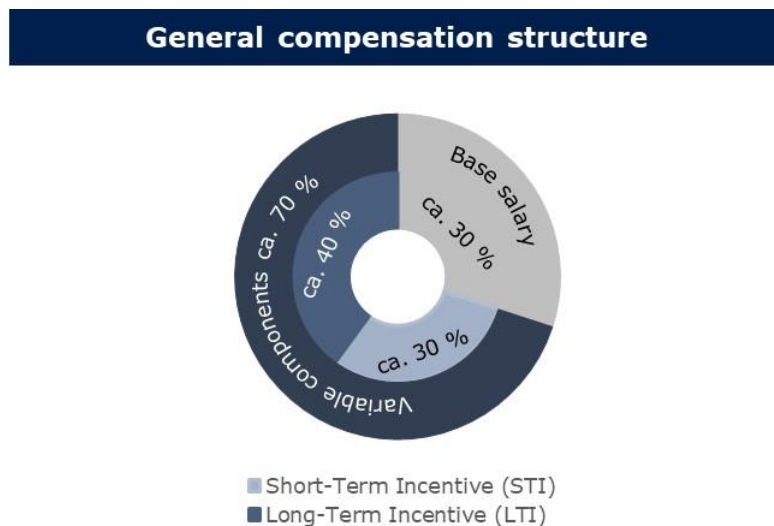
## **2.9 Compensation Structure**

The Compensation System 2021+ is focused on the long-term and sustainable corporate development of Fresenius. Therefore, variable compensation components are granted predominately on a long-term basis. For this purpose, it is ensured in the Compensation System 2021+ that the grant value of the Long-Term

Incentive always exceeds the target amount of the Short-Term Incentive for each fiscal year.

Under the Long-Term Incentive, performance is measured over a period of four (4) years. The compensation under the Long-Term Incentive is available to Management Board members after a period of at least four (4) years. Deviations may apply in the event of death, full or partial reduction in earning capacity or other pre-defined leaver cases from the Management Board.

The general compensation structure of the target direct compensation (sum of base salary p.a.; target Short-Term Incentive (STI) amount p.a. and grant value under the Long-Term Incentive (LTI) p.a.) for a full fiscal year consists of approximately 30 % each of the base salary and the Short-Term Incentive as well as of approximately 40 % of the Long-Term Incentive and is shown in the following illustration.



Therefore, around 70 % of the target direct compensation comprises performance-related variable compensation components. The 40 % share of the Long-Term Incentive (around 57 % of the variable components) reflects the long-term orientation of the compensation structure.

The structure of the target direct compensation of the Management Board members who are active at the time of the adoption of the Compensation System 2021+ is orientated towards this general compensation structure. The specific base salary components range between 27 % and 30 % of the target direct compensation, the Short-Term Incentive (target amount) ranges between 27 % and 30 % and the Long-Term Incentive (grant value) ranges between 40 % and 46 % of the target direct compensation. The target amounts of the Short-Term Incentive

and the grant values of the Long-Term Incentive are determined within the individual service agreements as a percentage of the respective base salary of a Management Board member.

Based on the target direct compensation, additional fringe benefits and pension commitments are considered in the structure of the total target compensation.

Fringe benefits are granted on the basis of the respective service agreement with Management Board members and therefore vary between the individual members of the Management Board. The amount of fringe benefits granted to the individual Management Board members regularly ranges between 1 % and 7 % of the respective target direct compensation, depending on the individual grant and usage, per fiscal year. This range is based on historical data and the individual fringe benefits granted under the current service agreement of the individual members of the Management Board.

Management Board members may be granted pension commitments in the form of defined benefit or defined contribution plans. The amount of the current service cost from these pension commitments is regularly within a range of 7 % to 35 % of the respective target direct compensation of a Management Board member per fiscal year. The amount of the individual service cost depends to a large extent on the pensionable income and the age of the respective Management Board member as well as on actuarial assumptions, such as the discount rate, and is therefore more volatile. The range for the service cost of pension commitments is based on historical actuarial valuations and actuarial forecasts.

### **3 Process of Determining, Reviewing and Implementing the Compensation System**

The Supervisory Board is responsible for determining the compensation of each Management Board member as well as for determining, reviewing and implementing the compensation system for the entire Management Board. The Supervisory Board is supported in this regard by its Human Resources Committee, a committee which is composed of members of the Supervisory Board. The Human Resources Committee also takes over the tasks of a compensation committee and makes recommendations to the Supervisory Board. The recommendations of the Human Resources Committee as well as any other matter relating to the individual compensation of the Management Board members and the compensation system are discussed and, as required, resolved by the Supervisory Board. The members of the Supervisory Board and its committees are under an obligation to disclose any conflicts of interest without undue delay. These regulations for an avoidance of conflicts of interest also apply to the process of determining the compensation of

the individual Management Board members and to the process of determining, reviewing and implementing of the compensation system for the Management Board members.

The Compensation System 2021+ was developed with the support of external compensation experts. The Supervisory Board may also in the future consult external compensation experts to support it in its determination of the compensation of Management Board members as well as with respect to the determination and review of the compensation system as a whole. Any such compensation expert is independent from the Company, the Management Board as well as the Company's affiliates. From time to time, any such compensation expert will be replaced in order to ensure an independent compensation review.

The amount of the total target compensation of each Management Board member is determined by the Supervisory Board in accordance with the compensation system. In accordance with the requirements of the German Stock Corporation Act and the DCGK, care is taken to ensure that the respective compensation is in an appropriate relationship to the duties and performance of the Management Board member as well as to the performance of the Company, that it supports the long-term and sustainable development of Fresenius and that it does not exceed the usual compensation without special reasons. For this purpose, both external and internal comparative analyses are carried out. In addition, the total compensation granted to the individual members of the Management Board takes into account the interest of the Company to retain the members of the Management Board at the Company or to attract new potential talents for the Management Board.

In order to assess the appropriateness of the compensation system and the individual compensation of the Management Board members, the Supervisory Board conducts a review of the respective amount and structure of the compensation by means of a horizontal analysis (external comparative analysis). The respective amount of the total target compensation and the underlying compensation components granted to the individual Management Board members are compared with the compensation data of DAX30 companies.

The Supervisory Board also conducts a vertical review (internal comparative analysis) with respect to the compensation levels of the Company's employees when determining the compensation system and the compensation of the Management Board members. For this purpose, the ratios between the average compensation of the Management Board, the average compensation of the senior management of the Company and the total workforce are determined. For the purpose of the determination of the Compensation System 2021+, "senior management" has been defined as all employees who report to a Management Board member in a

position of "Vice President" and above. The ratio is compared, to the extent possible, with the corresponding ratio for companies included in the DAX30. When conducting the vertical review, the Supervisory Board will also consider the development of the compensation levels over time.

Any new compensation system for the Management Board members as resolved and intended to be applied by the Supervisory Board is presented to the General Meeting of the Company for approval. The Supervisory Board will regularly review the applied compensation system and, if required and typically upon recommendation of the Human Resources Committee, resolve changes thereto. In case of material changes, but at least every four (4) years, the compensation system is presented to the General Meeting for approval. Should the General Meeting not approve the presented compensation system, such compensation system will be reviewed and presented, at the latest, to the following ordinary General Meeting.

## **4 Compensation Components in Detail**

### **4.1 Fixed Compensation**

The fixed compensation granted to Management Board members under the Compensation System 2021+ comprises base salary, fringe benefits and a pension commitment.

#### **4.1.1 Base Salary**

The base salary, which is usually agreed for a full year, is paid in accordance with the local payroll customs applicable to the respective member of the Management Board. For Management Board members in Germany, the base salary is typically paid in twelve (12) monthly installments.

#### **4.1.2 Fringe Benefits**

Fringe benefits are granted based on the individual service agreements and can include: the private use of company cars, special payments such as school fees, housing, rent and relocation payments, costs for the operation of security alarm systems, contributions to pension insurance (with the exception of the pension commitments described in this document) and contributions for accident, health and nursing care insurance, other insurance policies, as well as tax equalization compensation due to different tax rates in Germany and, as the case may be, the country in which the Management Board member is personally taxable. Fringe benefits can be of one-time or recurring nature.

In order to attract qualified candidates for the Management Board, the Supervisory Board may complement the compensation of first-time Management Board members in an appropriate and market-compliant manner with an entry bonus (sign-on bonus), e.g. to compensate for forfeited compensation from previous employment or service agreements. The Supervisory Board may also grant reimbursements for fees, charges and other costs in connection with or related to a change in the regular place of work of Management Board members.

#### **4.1.3 Pension Commitments**

Management Board members who have been appointed to the Management Board prior to 1 January 2020, were granted a contractual pension commitment in the form of a defined benefit scheme. Under this defined benefit scheme, pension commitments provide for pension and survivor benefits (*Hinterbliebenenversorgung*) as of the time of conclusively ending active work or in case of occupational disability or incapacity to work (*Beruf- oder Erwerbsunfähigkeit*). The amount of these benefits is calculated by reference to the amount of the contractually agreed pensionable income of the Management Board member. The pensionable income is adjusted annually based on the development of the consumer price index. The pension amount is calculated as 30 % of the contractually agreed pensionable income and increases by 1.5 percentage points for each full year of service as a Management Board member, up to a maximum of 45 %. In deviation from this, the Management Board member responsible for the business segment Fresenius Vamed is entitled to an increase of 1.2 percentage points for each full year of service as a Management Board member, up to a maximum of 40 %.

Management Board members that have been or will be appointed to the Management Board as of 1 January 2020, are granted a pension commitment within the framework of a defined contribution plan. This is promised at the beginning of the service contract with a waiting period of the first three (3) years regarding the granting of benefits. Under such defined contribution plan, the respective Board Management member receives an annual contribution amounting to 40 % of the base salary, which determines the future capital amount. After reaching the retirement age under the defined contribution plan, payments can be made either in ten (10) annual installments or optionally as a one-off payment. An annuity respectively pension payment is not provided. The defined contribution plan may provide for survivors' benefits (*Hinterbliebenenversorgung*) and benefits after the occurrence of a full or partial reduction in earning capacity (*Erwerbsminderung*).

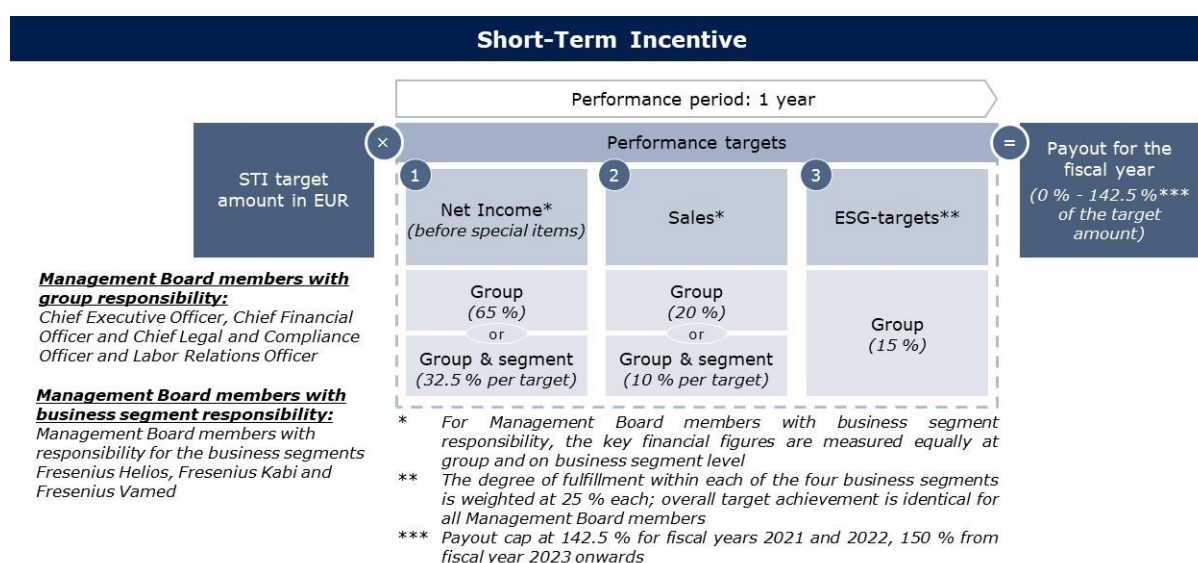
#### **4.2 Short-Term Incentive**

Under the Compensation System 2021+, the Management Board members are entitled to receive a Short-Term Incentive, which may result in a cash payment.

The Short-Term Incentive rewards the Management Board members for the success of the Company in the relevant fiscal year. The Short-Term Incentive is linked to the achievement of financial and non-financial performance targets, balancing growth, profitability and sustainability aspects.

### 4.2.1 Target Amounts

The target amount to be granted to each Management Board member for the Short-Term Incentive (i.e. the amount paid out if the target is reached to 100 %) is determined by individual contract as a percentage of the respective base salary of a Management Board member. In case of appointments to the Management Board during a fiscal year, the amount to be granted to such member can be pro-rated.



### 4.2.2 Performance Targets

The Short-Term Incentive is measured based on the achievement of three (3) performance targets: 65 % relate to group or business segment Net Income (before special items), 20 % to group or business segment Sales and 15 % to the achievement of sustainability criteria ("**ESG-targets**"). For Management Board members with business segment responsibilities, half of the Net Income and half of Sales are based on the corresponding financial figures of the group and the respective business segment. For Management Board members with group responsibility, the two financial indicators of Net Income and Sales are measured exclusively at group level. The ESG-targets are measured equally at group level for all Management Board members. The extent to which each ESG-target is met is determined within each of the four (4) business segments and weighted at 25 % each. The overall ESG-target achievement is for the time being identical for all Management Board members.



The financial performance targets reflect the key performance indicators of the Company and support the Company's strategy of achieving sustainable and profitable growth. The non-financial performance targets underline the Company's commitment to implement its global sustainability strategy.

Target	Weight	Background and link to strategy
Net Income (before special items)	65 %	Group or business segment Net Income serves as a primary control parameter for profitability. To enable a better comparison of operating performance over several periods, the Net Income figures are adjusted for special items where necessary.
Sales	20 %	As part of the growth strategy, the development of Sales at group and business segment level, especially organic Sales growth, is of central importance.
ESG-targets	15 %	The ESG-targets reflect the Company's commitment and strategy with regard to environmental, social and governance aspects. The ESG-targets are designed to achieve significantly improved ESG performance with reported and audited metrics that reflect Fresenius' strategy.

The financial figures underlying the financial performance targets can be adjusted for certain effects, in particular effects from significant acquisitions, divestments, restructuring measures and changes in accounting principles. In addition, the Supervisory Board can also adjust for one-time material special items for which the Management Board is not responsible, which have not been budgeted for and which are therefore not included in the calculation of the target values.

In order to further enhance cooperation across the business segments and at the same time incentivize the Management Board members with respect to their individual responsibilities, some performance targets are measured at group level, others at business segment level. For Management Board members who are responsible for a business segment, half of the Net Income and half of Sales are based on the corresponding key financial figures of the group and the respective business segment. For Management Board members with group responsibilities, Net Income and Sales refer to the corresponding key financial figures of the group. By measuring the financial performance targets at group as well as on a business segment level, the financial success of both the individual business segments and the group is reflected.

The achievement of sustainability targets is measured at group level to ensure close cooperation across the Company's business segments in the field of sustainability. The non-financial performance targets relate to ESG focus topics such as quality, employees, innovation, compliance and environment. Performance targets are defined annually and apply to each focus topic.

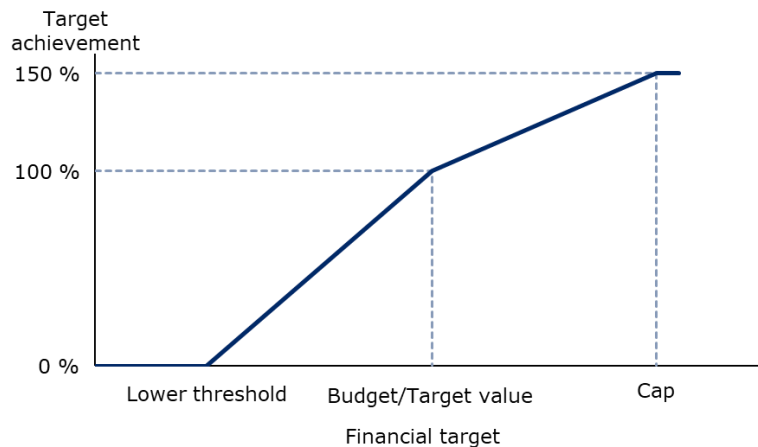
### **4.2.3 Performance Target Setting and Determination of Target Achievement**

At the beginning of the relevant fiscal year, the Supervisory Board defines, based on budget, the concrete values for the underlying financial indicators, which lead to a target achievement of 0 % (lower threshold), 100 % (target value) and 150 % (cap). When setting the target values the Supervisory Board considers the market and competitive environment, the budget as well as strategic growth targets. To the extent this requires the consideration of financial figures that are unknown at this point in time, the Supervisory Board, at the beginning of such fiscal year, determines the methodology to be applied once such figures are available.

For the ESG-targets the Supervisory Board has already defined three (3) targets for the fiscal years 2021 and 2022, through which each of the five (5) focus topics will be qualitatively measured. In this way, a total of 15 aspects are qualitatively assessed for compliance or non-compliance with the ESG-targets. If all ESG targets in the four (4) business segments are met, the overall ESG-target achievement is 100 % (cap). In order to determine the sustainability targets for the fiscal years after 2022, the Supervisory Board determines quantitative sustainability targets before the beginning of the 2023 fiscal year, including the metrics and the methodology for determining the target values and target achievement which can amount to a maximum of 150 % from that date. The ESG-targets and their achievement are reported transparently in the compensation report for the respective fiscal year.

After the one-year performance period for the Short-Term Incentive has ended, the Supervisory Board determines whether and to what extent the targets have been achieved. The following applies to the financial targets: The target is deemed to be 0 % if the lower threshold is not reached. If the cap is exceeded, the target is deemed to have been reached by 150 %. If the achieved financial indicators are between the respective values for target achievement of 0 % and 100 % or 100 % and 150 %, the target achievement is determined by linear interpolation.

### Target achievement curve for financial targets



The degree of the overall target achievement is determined by the weighted arithmetic mean of the respective achievement of each financial and non-financial target. Multiplying the degree of respective overall target achievement with the target amounts of the Short-Term Incentive results in the final Short-Term Incentive amount. Subject to approval by the Supervisory Board, the final Short-Term Incentive amount will be paid out to the respective Management Board member in cash. Since the overall target achievement is capped at a maximum of 142.5 % (fiscal years 2021 and 2022) and of 150 % (from fiscal year 2023 onwards), the payout amount of the Short-Term Incentive for the fiscal years 2021 and 2022 is also capped to 142.5 % of the respective target amount and to 150 % from fiscal year 2023 onwards.

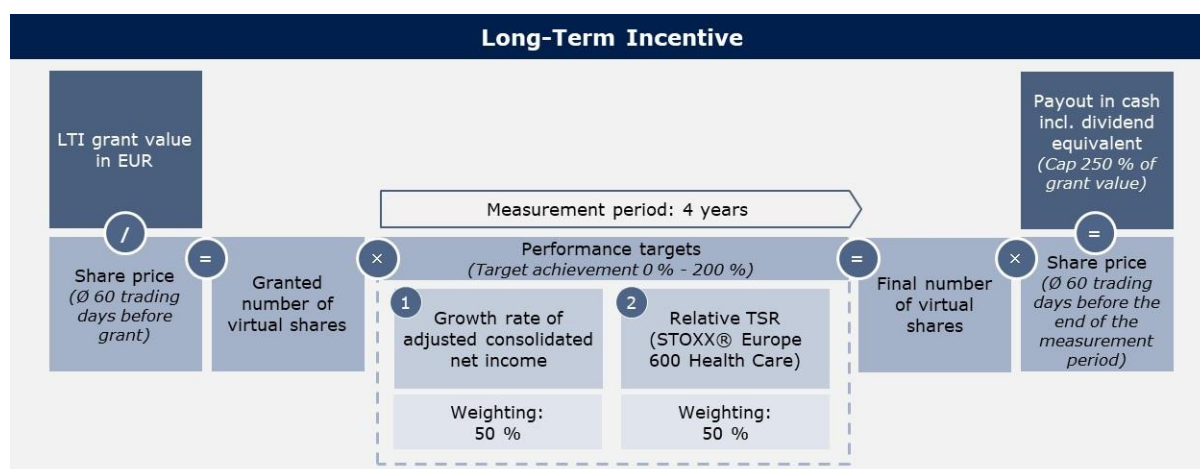
When determining the degree of target achievement, the Supervisory Board – in accordance with the corresponding recommendation of the German Corporate Governance Code in the version dated 16 December 2019 – may take into consideration that certain extraordinary economic, tax or similar impacts are not related to the performance of the Management Board member. In the extraordinary case that the Supervisory Board resolves to make use of this possibility, the rationale will be adequately explained and disclosed.

Detailed information on the applied target values, adjustments and the respective targets achievements will be disclosed ex-post in the compensation report for the respective fiscal year.

### 4.3 Long-Term Incentive

Under the Compensation System 2021+, the Management Board members are entitled to receive Long-Term Incentives in the form of so-called "Performance Shares" with a measurement period of four (4) years. Performance Shares are

virtual cash-settled payment instruments not backed by equity and are non-certificated. A payout depends on the achievement of two (2) equally weighted performance targets and on the development of the share price of the Company.



### 4.3.1 Grant Values

The grant value of the Long-Term Incentive for each Management Board member is defined by the Supervisory Board and corresponds to a percentage of the base salary, as stipulated in the individual contract. In case of appointments to the Management Board during a fiscal year, the grant value for these Management Board members can be pro-rated.

In order to determine the number of Performance Shares to be granted to the respective Management Board member, the respective grant value is divided by the value per Performance Shares in accordance with IFRS 2 and considering the average share price of the Company over a period of sixty (60) stock exchange trading days prior to the respective grant date. The final number of Performance Shares depends on the achievement of pre-defined targets, which are set by the Supervisory Board prior to the beginning of the respective measurement period.

### 4.3.2 Performance Targets

The Long-Term Incentive is measured on the basis of the achievement of two (2) equally weighted financial performance targets: Adjusted Net Income Growth and Relative Total Shareholder Return ("**Relative TSR**"). These performance targets have been chosen as they reflect the Company's strategic priorities of increasing profitability, long-term sustainable growth and the development of the Company's value. At the same time, they include a relative comparison with competitors and ensure that the interests of shareholders are adequately taken into account.

The performance targets under the Long-Term Incentive are among the most important key figures of the Company and support the implementation of the Com-

pany's long-term strategy. In order to ensure that all decision makers pursue uniform goals, the Long-Term Incentive for the Management Board and senior management is determined according to uniform targets and a uniform system.

Target	Weight	Background and link to strategy
Adjusted net income growth	50 %	At group level, the growth of adjusted net income serves as a control parameter for internal management. The growth of adjusted net income reflects the long-term profitability of the group.
Relative TSR	50 %	Relative TSR as a performance target sets incentives to outperform the peer companies and, above all, takes into account the long-term development of Company value and the requirements of our shareholders.

The Adjusted Net Income Growth is calculated at constant exchange rates. The underlying financial figures of the financial performance targets are adjusted for effects defined in advance, such as the effects of certain acquisitions and divestments and changes in IFRS accounting standards, to ensure comparability of these financial figures with respect to the operational performance.

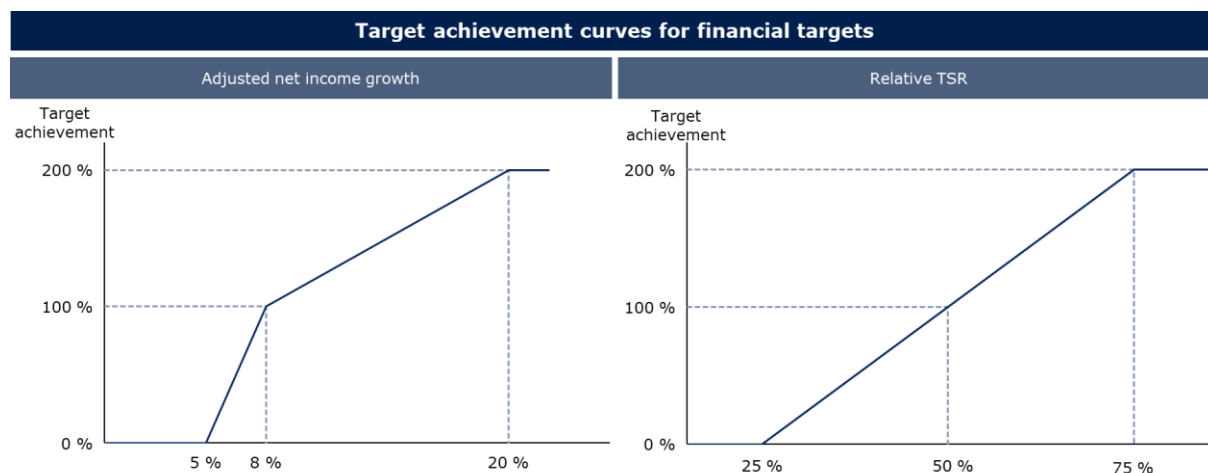
#### 4.3.3 Performance Target Setting and Determination of Target Achievement

Prior to the beginning of the respective measurement period of a grant, the Supervisory Board defines target values for each performance target that lead to a target achievement of 0 % (lower threshold), 100 % (target value) and 200 % (cap). In setting the target values, the Supervisory Board considers the strategic growth targets and the market and competitive environment. To the extent that this requires the consideration of financial figures that are unknown at this point in time, the Supervisory Board determines prior to the beginning of the fiscal year the methodology to be applied once such figures are available.

The performance target of Adjusted Net Income Growth is deemed to have been achieved at 100 % if this is at least 8 % p.a. on average over the four-year measurement period. If the growth rate is only 5 % p.a. or less, the target achievement is 0 %. If the growth rate is between 5 % p.a. and 8 % p.a., the degree of target achievement is between 0 % and 100 % and if the growth rate is between 8 % p.a. and 20 % p.a., the degree of target achievement is between 100 % and 200 %. Intermediate values are calculated by linear interpolation.

For the relative TSR target, a 100 % target achievement is given if Fresenius' Total Shareholder Return compared to the Total Shareholder Return of the other companies in the STOXX® Europe 600 Healthcare Index is at the median of the peer companies over the four-year measurement period, i.e. exactly in the middle (50th percentile) of the ranking. If the rank is equal to or below the 25th percentile, the degree of target achievement is 0 %. If the rank is between the 25th and the 50th percentile, the degree of target achievement is between 0 % and 100 %

and if the rank is between the 50th and the 75th percentile, the degree of target achievement is between 100 % and 200 %. Intermediate values are also calculated here by linear interpolation.



At the end of the respective measurement period, the Supervisory Board determines the overall target achievement for the granted Long-Term Incentive. For this purpose, the extent to which the two (2) performance targets have been achieved is determined and included with equal weighting in the determination of the overall target achievement.

The final number of Performance Shares is determined for each Management Board member on the basis of the overall target achievement and can increase or decrease over the measurement period compared to the number at the time of grant. A total loss as well as (at the most) doubling of the granted Performance Shares if a 200 % target achievement is reached (cap) is possible. After the final determination of the overall target achievement, the final number of Performance Shares is multiplied by the average price of the Company's shares over the last sixty (60) stock exchange trading days prior to the end of the respective measurement period (four (4) years after the date of the respective grant) plus the sum of the dividends per share paid in the meantime by Fresenius SE & Co. KGaA, in order to calculate the corresponding amount for the payment from the final Performance Shares. The payout is limited to 250 % of the respective grant value. Payment is also conditional on the absence of a compliance violation and the continuation of the service respectively employment relationship.

In determining the overall target achievement, the Supervisory Board may – following the corresponding recommendation of the German Corporate Governance Code in the version dated 16 December 2019 – determine that certain extraordinary economic, tax or other effects are to be disregarded in full or in part in accordance with the plan conditions. In this case, the Supervisory Board can correct the calculated overall target achievement accordingly, i.e. increase or decrease it.

This also applies in the event that capital measures (e.g. capital increase, spin-off or stock splits) are conducted. In the exceptional case that the Supervisory Board decides to make use of this possibility, the reasons for this are explained and disclosed to an appropriate extent.

Detailed information on the target values applied, adjustments and the respective target achievement will be published afterwards in the compensation report for the respective fiscal year.

## **5 Commitments in the Event of Termination**

The Supervisory Board may determine leaver rules for any compensation component with respect to the end of the service respectively employment relationship with the General Partner or the end of the appointment as a Management Board member. This includes cases as retirement or full or partial incapacity to work, death, ordinary termination of the service agreement, termination of the service agreement for good cause or revocation of the appointment for good cause. For any such instance the Supervisory Board may in advance determine which requirements apply so that individual or all compensation components are paid in full or in part, prematurely or deferred, to the Management Board members or, in the event of death, to the heirs of the respective member of the Management Board or lapse. In any event, a payment of variable compensation components can only be made in accordance with the performance targets and comparison parameters as well as the due dates or holding periods specified in the respective plan conditions, as referenced in the service agreements or agreed to in the service agreements with the respective Management Board members.

The service agreements of the Management Board members are limited to a maximum of five (5) years in accordance with section 84 (1) AktG and provide for a severance payment cap. Accordingly, payments to a Management Board member in the event of early termination of a Management Board appointment, including fringe benefits, are limited to two (2) years of compensation, but not exceeding the compensation for the remaining term of the service agreement. For the calculation of the severance payment cap, the total compensation within the meaning of section 285 No. 9a HGB of the past fiscal year and the expected total compensation for the fiscal year in which the termination occurs are used. If the Company terminates the service agreement for good cause for which the Management Board member is responsible in accordance with section 626 BGB, no severance payment shall be made.

The Supervisory Board may agree a post-contractual non-competition clause with Management Board members for a period of up to two (2) years. If such a post-

contractual non-competition clause becomes applicable, the Management Board members may receive compensation for each year of the non-competition clause amounting to up to half of the sum of the base salary, the target amount of the Short-Term Incentive and the last grant value of the Long-Term Incentive. Any payments under a post-contractual non-competition clause are to be offset against any severance payments and benefits under the Company pension scheme.

The service agreements of the Management Board members do not contain any provisions in the event of a change of control.

## **6 Compensation System in the Event of Special and Extraordinary Circumstances**

Under special and extraordinary circumstances (e.g. in the event of a serious financial or economic crisis), the Supervisory Board has the right to temporarily deviate from the Compensation System 2021+ pursuant to section 87a (2) sentence 2 AktG if this is necessary in the interest of the Company's long-term well-being. Unfavorable market developments are not considered to be special and extraordinary circumstances allowing for a deviation from the Compensation System 2021+.

Also in case of a deviation, the compensation must continue to be aligned with the long-term and sustainable development of the Company and must be consistent with the success of the Company and the performance of the Management Board.

A deviation from the Compensation System 2021+ under the circumstances mentioned above is only possible after a careful analysis of these exceptional circumstances and the possibilities for reaction and on the basis of a proposal by the Human Resources Committee by means of a corresponding Supervisory Board resolution that determines the exceptional circumstances and the necessity for a deviation.

A temporary deviation from the Compensation System 2021+ is possible with regard to the following components: performance targets of the Short-Term Incentive as well as the Long-Term Incentive and ranges of possible target achievements of the individual elements of the variable compensation. If the incentive effect of the Management Board compensation cannot be adequately restored by adjusting the existing compensation components, the Supervisory Board is further entitled, in case of extraordinary developments and under the same conditions, to temporarily grant additional compensation components or to replace individual compensation components by other compensation components. Furthermore, the



Supervisory Board has the right to grant special payments to newly joining Management Board members to compensate for forfeited compensation from previous service agreements or to cover costs incurred due to a change of location.

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